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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

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**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2017 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Hales Securities, LLC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**1185 Avenue of the Americas, 32nd Floor**

(No. and Street)

**New York**

**NY**

**10036**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John Kraska

212-592-5709

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**EisnerAmper**

(Name - if individual, state last, first, middle name)

**750 Third Avenue**

**New York**

**NY**

**10017**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
**FEB 26 2018**  
DIVISION OF TRADING & MARKETS

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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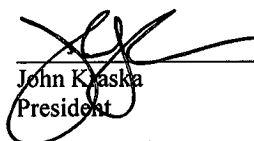
## OATH OR AFFIRMATION

I, John Kraska, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Hales Securities, LLC (Company), as of December 31, 2017, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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**SHENNY BOWDEN**  
Notary Public, State of New York  
Registration #01BO6327500  
Qualified In New York County  
Commission Expires July 6, 2019

  
John Kraska  
President

Sworn and subscribed to before me this 21 day of February, 2018.

**This report contains (check all applicable boxes):**

Report of Independent Registered Public Accounting Firm

- ☒ (a) Facing page.
- ☒ (b) Balance Sheet.
- ☐ (c) Statement of Operations.
- ☐ (d) Statement of Member's Equity.
- ☐ (e) Statement of Changes in Cash Flows.
- ☐ (f) Statement of Changes in Subordinated Liabilities
- ☒ (g) Notes to Financial Statements.
- ☐ (g) Computation of Net Capital for Brokers and Dealers  
Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ☐ (h) Computation for Determination of Reserve Requirements for Brokers and  
Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (not  
applicable)
- ☐ (i) Information Relating to the Possession or Control Requirements  
for Brokers and Dealers Pursuant to Rule 15c3-3 under the  
Securities Exchange Act of 1934 (not applicable).
- ☐ (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net  
Capital Under Rule 15c3-1 and the Computation for Determination of the  
Reserve Requirements Under Rule 15c3-3 (not applicable).
- ☐ (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements  
of Financial Condition With Respect to Methods of Consolidation (not  
applicable).
- ☒ (l) An Affirmation.
- ☐ (m) A Copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have  
existed since the date of the previous audit (Supplemental Report on Internal  
Control).
- ☐ (o) Review report on managements' assertion letter regarding (k)(2)(i).
- ☐ (p) Management's assertion letter regarding (k)(2)(i)

**HALES SECURITIES, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**AND**  
**REPORT OF INDEPENDENT REGISTERED**  
**PUBLIC ACCOUNTING FIRM**  
**DECEMBER 31, 2017**

# **HALES SECURITIES, LLC**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To Hales Securities, LLC

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of financial condition of Hales Securities, LLC (the "Company") as of December 31, 2017 and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2014.

EISNERAMPER LLP  
New York, New York  
February 21, 2018

# HALES SECURITIES, LLC

## STATEMENT OF FINANCIAL CONDITION

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December 31, 2017

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### ASSETS

Cash and cash equivalents	\$ 4,722,846
Fees receivable	308,247
Other assets	<u>121,245</u>
	<u>\$ 5,152,338</u>

### LIABILITIES AND MEMBER'S EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$ 2,621,267
Distribution payable to Parent	492,462
Due to related parties	<u>298,708</u>
Total liabilities	3,412,437

Member's equity	<u>1,739,901</u>
	<u>\$ 5,152,338</u>

## HALES SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Nature of business and summary of significant accounting policies

##### *Nature of Business*

Hales Securities, LLC (the "Company") is a limited liability company organized under the laws of the state of California on June 1, 2011. The Company is wholly-owned by V & H Group, LLC (the "Parent"). The Company primarily engages in placement securities services for securities-based transactions, financial advisory services and fairness opinions.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

##### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

##### *Cash and Cash Equivalents and Concentration of Credit Risk*

Cash and cash equivalents include cash held in banks and money market funds with original maturities of three months or less. The Company maintains cash balances in certain financial institutions which at times, may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

##### *Fees Receivable and Allowance for Doubtful Accounts*

The Company carries its fees receivable at cost less an allowance for doubtful accounts. On a regular basis, the Company evaluates its fees receivable and will establish an allowance for doubtful accounts, if necessary, based on the history of collections and current credit conditions. No allowance for doubtful accounts is deemed necessary at December 31, 2017.

##### *Revenue Recognition*

Investment banking and merger and acquisition advisory revenues are recorded in accordance with the terms of the agreements at the time the services are provided. Fees earned in relation to a specific transaction are recorded when the transaction is complete. Cash collected in advance of the services provided is recorded as deferred revenue.

##### *Long-Lived Assets*

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

##### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

##### *Fair Value of Financial Instruments*

At December 31, 2017, the carrying value of the Company's financial instruments, such as cash and fees receivable, approximate their fair values due to the nature of their short term maturities.

## HALES SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Nature of business and summary of significant accounting policies (continued)

##### *Income Taxes*

The Company is a single-member limited liability company, which is a disregarded entity for federal and state income tax purposes, and is not subject to taxes on its income. The Parent files a consolidated tax return including the operations of the Company. The Parent has elected to be treated as a limited liability company for federal and state income tax purposes, as such, there is no provision for federal and state income taxes as the net income or loss of the Company is included on the tax return of the members of the Parent. The Company's Parent is subject to New York City Unincorporated Business Tax ("NYC UBT"). The provision for taxes on the statement of operations is based upon the Company's proportionated share of its Parent's tax expense computed as if the Company was a stand-alone entity. The difference between the tax expense resulting from applying statutory rates of tax to the Company's net income before taxes, and the effective rate as reported on the financial statements consists principally of revenues sourced to various jurisdictions not subject to NYC UBT. The Parent follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

In accordance with GAAP, the Company's Parent is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce member's equity. At December 31, 2017, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company's Parent files its income tax returns in the U.S. federal and various state and local jurisdictions. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### 2. Net capital requirement

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2017, the Company's net capital was approximately \$1,220,000, which was approximately \$993,000 in excess of its computed minimum net capital requirement of approximately \$227,000.



## HALES SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

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#### 3. Exemption from Rule 15c3-3

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 pursuant to the exemptive provisions of subparagraph (k)(2)(i).

#### 4. Commitments and contingencies

In the normal course of business, the Company has been named as a defendant in various matters. Management of the Company, after consultation with legal counsel, believes that the resolution of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

#### 5. Major customers

The Company's revenue from five customers was approximately 77% of total revenues for the year ended December 31, 2017. There were no amounts due from these customers at December 31, 2017.

#### 6. Related party transactions

Pursuant to an expense sharing agreement (the "Agreement") with its Parent and an affiliate (the "related parties"), the Company recognizes certain expenses based on the terms and conditions per the Agreement. These expenses amounted to approximately \$2,607,000 for the year ended December 31, 2017, and there was approximately \$299,000 due to the related parties at December 31, 2017.

#### 7. Recent accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), as subsequently amended, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for certain incremental costs of obtaining a contract, and costs to fulfill a contract with a customer. Entities have the option of applying either a full retrospective approach to all periods presented, or a modified approach that reflects differences prior to the date of adoption as an adjustment to equity. In April 2015, the FASB deferred the effective date of this guidance until January 1, 2018. The Company is not early adopting this standard.

The Company completed its implementation analysis, including identification of revenue streams and reviews of customer contracts under ASU 2014-09's framework. The analysis included reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements under this new standard. The Company opted to use the modified retrospective transition method, meaning the cumulative effect of applying the new guidance is recognized at the date of initial application as an adjustment to the January 1, 2018 member's equity which resulted in a reduction to the member's equity at January 1, 2018 of approximately \$70,000.